

**CALIFORNIA ALTERNATIVE ENERGY & ADVANCED
TRANSPORTATION FINANCING AUTHORITY**

915 Capitol Mall, Room 457
Sacramento, CA 95814
Telephone: (916) 651-8157
Telecopier: (916) 657-4821



DATE: April 11, 2012

TO: All Interested Responders

SUBJECT: REQUEST FOR INFORMATION (RFI) ON ALTERNATIVE
FINANCIAL ASSISTANCE MODELS UNDER ABx1 14
(SKINNER, 2011)

MEMBERS:

Bill Lockyer, Chairman
State Treasurer

John Chiang
State Controller

Ana J. Matosantos, Director
Department of Finance

Michael R. Peevey, President
Public Utilities Commission

Robert B. Weisenmiller, Chair
California Energy Commission

EXECUTIVE DIRECTOR:

Christine Solich

INTRODUCTION

The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) is releasing this Request for Information (RFI) to gather information on possible financial assistance models for CAEATFA to consider to provide financial assistance to encourage loans to finance the installation of energy efficiency improvements, water efficiency improvements, distributed generation renewable energy sources, or electric vehicle charging infrastructure on real property. CAEATFA's goals are to increase access, reduce overall costs to property owners, and leverage public and private funds. Loans must be for eligible improvements for residential projects of three units or fewer or commercial projects that cost less than \$25,000 in total. CAEATFA has up to \$25 million for these types of financial assistance programs.

Note: The cost for developing a response to this RFI is entirely the responder's responsibility and shall not be chargeable to the State of California, California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA).

OBJECTIVE OF THIS RFI

The overall goal of this Request for Information (RFI) is to collect information on possible financial assistance models for CAEATFA to consider to provide financial assistance for eligible measures, to gauge potential financial interest from responders, and to gather responses to the questions in the "Information Being Requested" section of this RFI on pages 3-4. CAEATFA will use this information to determine whether to consider establishing additional financial assistance programs and may subsequently issue a Request for Proposal(s) (RFP) and develop one or more programs.

KEY ACTION DATES (ANTICIPATED)

CAEATFA's Release of the RFI	4/11/2012
Responders' Last Day to Submit Questions on RFI	5/01/2012
Written Responses from CAEATFA to Responders' Questions	5/18/2012
Final Date for Responders to Submit Response	6/08/2012

BACKGROUND

The State of California has a goal of reducing energy consumption in existing homes by 20 percent by 2015 and by 40 percent by 2020. There are 5.8 million single-family housing units in California that are likely candidates for substantial energy retrofits.¹ In August of 2011, AB x1 14 (Skinner) was signed into law, which directs CAEATFA to administer a Clean Energy Upgrade Program to reduce the costs to property owners of financing for the installation of energy efficiency improvements, water efficiency improvements, distributed generation renewable energy sources, or electric vehicle charging infrastructure on real property by providing a loan loss reserve program or some other financial assistance program.

CAEATFA is in the process of establishing a Loan Loss Reserve Program for financial institutions that provide eligible loans under AB x1 14. The program will provide a 15 percent loan loss reserve contribution, which will be reduced to 10 percent once individual institutions reach \$250 thousand in enrolled loan volume. Participating financial institutions can claim 100 percent of the charged-off loan amount up to the enrolled principal amount. Please refer to the CAEATFA website for more information on the loan loss reserve program, which can be found at http://www.treasurer.ca.gov/caeatfa/abx1_14/index.asp.

CAEATFA is now exploring options for alternative financial assistance programs allowed for under AB x1 14. CAEATFA is seeking information about possible types of financial assistance programs in order to identify whether one or more programs are desirable for AB x1 14. Up to \$25 million is available for financial assistance programs, with the total amount available dependent upon the ultimate size of the loan loss reserve program, the size of any PACE bond reserve program,² as well as the desirability of any alternative financial assistance programs that result from this RFI. For the purposes of this RFI, CAEATFA anticipates that approximately \$15 million will be available for these alternative financial assistance programs.

DISCUSSION

CAEATFA is open to receiving a variety of ideas for alternative financial assistance programs. All proposed programs, however, must conform to the statutory constraints imposed by AB x1 14. The statute is attached to this RFI and can be found starting at page 6.

¹ Energy Efficiency Financing in California: Needs and Gaps, Harcourt Brown and Carey, Inc. (July 8, 2011) <http://docs.cpuc.ca.gov/efile/RULINGS/157049.pdf>

² In addition to the loan loss reserve program, CAEATFA is also in the process of creating a PACE bond reserve program, which is not the focus of this RFI. For more information on that program, please refer to the CAEATFA website at <http://www.treasurer.ca.gov/caeatfa/sb77/index.asp>

INFORMATION BEING REQUESTED

CAEATFA requests that responders submit information regarding **all** of the following:

Background/Experience of Responder

1. Provide a description of the types of services your organization provides and number of years your organization has been in business, as well as the size of the organization.
2. Provide a description of the stakeholders and partners that you currently work with.
3. Describe your organization's experience with providing energy efficiency loans or making other types of financing available.
4. Describe your organization's history of success or track record with any current program dealing with energy efficiency financing or related loans.

Proposed Financial Assistance Program

5. Describe the proposed financial assistance program.
6. Identify anticipated partners, stakeholders, and/or subcontractors and their related roles in the proposed program.
7. Describe the kinds of projects that would be eligible for funding in the proposed financial assistance program.
8. Describe the geographical areas in the state that your proposed program would reach.

Funding involved in Proposed Financial Assistance Program

9. Describe how other funding, including private and other government sources (e.g. federal, state, and/or local), could be leveraged in the financial assistance program proposed.
10. Describe the resources your organization would bring to the proposed financial assistance program. Include the amount of capital, sources of capital, hurdles to obtaining capital, and leverage ratio of capital. This may include capital required for marketing, consumer education, loans, administration, quality assurance, and reporting.
11. Describe anticipated transactional costs and/or fees for borrowers in the proposed financial assistance program, as well as how these costs/fees would be paid for.
12. Describe the flow of funds in your proposed financial assistance program; include a timeline of this transfer. Include a flow chart of funds.
13. Describe the loan terms, interest rates, and underwriting criteria that would be used in your proposed financial assistance program, and how these terms increase access and reduce costs to the borrower.

14. Describe the method by which funds provided by CAEATFA would be returned to CAEATFA in your proposed financial assistance program.
15. Provide a recommendation for how CAEATFA should define the term “financial institution” for the scope of this proposed program.
16. What do you believe are the minimum or maximum funding levels necessary for the proposed program to work effectively?

Additional Information

17. Describe how you would measure success for this financial assistance program. What data would be evaluated? What benchmarks should be established or anticipated?
18. Describe how your proposed financial assistance program would comply with the statutory requirements of AB x1 14 § 26133(b).

PROCUREMENT APPROACH

This Request for Information (RFI) is the first step in researching possible alternative financial assistance programs under AB x1 14 for CAEATFA. Depending on the determination of feasibility, CAEATFA may issue an RFP whereby responders will propose a complete solution that meets CAEATFA’s requirements. It is anticipated that any subsequent RFP would be released in the summer or fall of 2012.

RESPONDING TO THIS RFI

The responder shall include a cover page to the response that identifies: the company name, company address, and point of contact’s information (name, telephone and fax number, and e-mail address).

All questions submitted in regards to this RFI shall be submitted in writing or by email to the contact listed below.

Responders are not required to submit a response to this RFI in order to participate in any future RFP issuances.

Note: This does not constitute a solicitation for entering into any agreement with the State of California. The California Alternative Energy and Advanced Transportation Financing Authority is investigating alternative financial assistance programs to possibly supplement a loan loss reserve program. The intent is to issue a future request for proposals or develop program regulations if CAEATFA determines a proposed financial assistance program(s) submitted in response to this RFI meets statutory requirements under AB x1 14 and would be ideal candidate(s) to complement a loan loss reserve program.

Upon opening of the responses, all documents submitted in response to this RFI will become the property of the State of California and will be regarded as public records under the California Public Records Act (Government Code Section 6250 et seq.) and subject to review by the public. The State cannot prevent the disclosure of public documents.

Please submit your questions and/or response to:

California Alternative Energy and Advanced Transportation Financing Authority
Attn: Amy Nabel
915 Capitol Mall, Room 457
Sacramento, CA 95814

You may e-mail your response and/or questions to: Amy.Nabel@treasurer.ca.gov

For questions or concerns, please call Amy Nabel at (916) 653-4713.

Thank you.

Assembly Bill No. 14

CHAPTER 9

An act to amend Sections 26003, 26102, 26140, and 26141 of, to amend the heading of Division 16.2 (commencing with Section 26100) of, to add Sections 26100.5 and 26103.5 to, and to add Chapter 2.5 (commencing with Section 26130) to Division 16.2 of, the Public Resources Code, relating to energy, and making an appropriation therefor.

[Approved by Governor August 2, 2011. Filed with
Secretary of State August 2, 2011.]

LEGISLATIVE COUNSEL'S DIGEST

AB 14, Skinner. Energy: energy upgrade financing.

(1) Existing law requires the California Alternative Energy and Advanced Transportation Financing Authority to establish a Property Assessed Clean Energy (PACE) Reserve program to assist local jurisdictions in financing the installation of distributed generation renewable energy sources or energy or water efficiency improvements meeting specified requirements that are permanently affixed on real property through the use of a voluntary contractual assessment. Existing law, until January 1, 2015, appropriates up to \$50,000,000 from the Renewable Resource Trust Fund to the authority for the purposes of the PACE Reserve program and authorizes the authority to expend up to \$300,000 of that appropriation for initial administrative costs in implementing the PACE Reserve program.

This bill would additionally require the authority to administer a Clean Energy Upgrade Program that would be developed by the State Energy Resources Conservation and Development Commission and the authority to reduce the costs to property owners of a loan provided by a financial institution that has a loan program that satisfies the specified requirements. Because this bill would authorize the use of the money appropriated for the PACE Reserve program for the Clean Energy Upgrade Program, this bill would make an appropriation. The bill would require the authority to report annually specified information regarding the program. The bill would increase the amount of the appropriation that may be expended for initial administrative costs to \$550,000, thereby making an appropriation.

(2) The California Constitution authorizes the Governor to declare a fiscal emergency and to call the Legislature into special session for that purpose. Governor Schwarzenegger issued a proclamation declaring a fiscal emergency, and calling a special session for this purpose, on December 6, 2010. Governor Brown issued a proclamation on January 20, 2011, declaring and reaffirming that a fiscal emergency exists and stating that his proclamation supersedes the earlier proclamation for purposes of that constitutional provision.

This bill would state that it addresses the fiscal emergency declared and reaffirmed by the Governor by proclamation issued on January 20, 2011, pursuant to the California Constitution.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 26003 of the Public Resources Code is amended to read:

26003. As used in this division, unless the context otherwise requires:

(a) “Authority” means the California Alternative Energy and Advanced Transportation Financing Authority established pursuant to Section 26004, and any board, commission, department, or officer succeeding to the functions of the authority, or to which the powers conferred upon the authority by this division shall be given.

(b) “Cost” as applied to a project or portion of the project financed under this division means all or part of the cost of construction and acquisition of all lands, structures, real or personal property or an interest in the real or personal property, rights, rights-of-way, franchises, easements, and interests acquired or used for a project; the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which those buildings or structures may be moved; the cost of all machinery, equipment, and furnishings, financing charges, interest prior to, during, and for a period after, completion of construction as determined by the authority; the cost of the purchase or sale of energy derived from an alternative source pursuant to subdivision (g) of Section 26011; provisions for working capital; reserves for principal and interest and for extensions, enlargements, additions, replacements, renovations, and improvements; the cost of architectural, engineering, financial, accounting, auditing and legal services, plans, specifications, estimates, administrative expenses, and other expenses necessary or incident to determining the feasibility of constructing any project or incident to the construction, acquisition, or financing of a project.

(c) (1) “Alternative sources” means the application of cogeneration technology, as defined in Section 25134; the conservation of energy; or the use of solar, biomass, wind, geothermal, hydroelectricity under 30 megawatts, or any other source of energy, the efficient use of which will reduce the use of fossil and nuclear fuels.

(2) “Alternative sources” does not include a hydroelectric facility that does not meet state laws pertaining to the control, appropriation, use, and distribution of water, including, but not limited to, the obtaining of applicable licenses and permits.

(d) “Advanced transportation technologies” means emerging commercially competitive transportation-related technologies identified by the authority as capable of creating long-term, high value-added jobs for Californians while enhancing the state’s commitment to energy conservation,

pollution reduction, and transportation efficiency. Those technologies may include, but are not limited to, any of the following:

- (1) Intelligent vehicle highway systems.
- (2) Advanced telecommunications for transportation.
- (3) Command, control, and communications for public transit vehicles and systems.

- (4) Electric vehicles and ultralow-emission vehicles.
- (5) High-speed rail and magnetic levitation passenger systems.
- (6) Fuel cells.

(e) “Financial assistance” includes, but is not limited to, either, or any combination, of the following:

(1) Loans, loan loss reserves, interest rate reductions, proceeds of bonds issued by the authority, insurance, guarantees or other credit enhancements or liquidity facilities, contributions of money, property, labor, or other items of value, or any combination thereof, as determined by, and approved by the resolution of, the board.

(2) Any other type of assistance the authority determines is appropriate.

(f) “Participating party” means either of the following:

(1) A person, or an entity or group of entities engaged in business or operations in the state, whether organized for profit or not for profit, that does either of the following:

(A) Applies for financial assistance from the authority for the purpose of implementing a project in a manner prescribed by the authority.

(B) Participates in the purchase or sale of energy derived from an alternative source pursuant to subdivision (g) of Section 26011.

(2) A public agency or nonprofit corporation that does either of the following:

(A) Applies for financial assistance from the authority for the purpose of implementing a project in a manner prescribed by the authority.

(B) Participates in the purchase or sale of energy derived from an alternative source pursuant to subdivision (g) of Section 26011.

(g) (1) “Project” means a land, building, improvement to the land or building, rehabilitation, work, property, or structure, real or personal, stationary or mobile, including, but not limited to, machinery and equipment, whether or not in existence or under construction, that utilizes, or is designed to utilize, an alternative source, or that is utilized for the design, technology transfer, manufacture, production, assembly, distribution, or service of advanced transportation technologies, or an arrangement for the purchase, including prepayment, or sale of energy derived from an alternative source pursuant to subdivision (g) of Section 26011.

(2) “Project,” for the purposes of Section 26011.8, means any tangible personal property that is utilized for the design, manufacture, production, or assembly of advanced transportation technologies or alternative source products, components, or systems.

(h) “Public agency” means a federal or state agency, department, board, authority, state or community college, university, or commission, or a county,

city and county, city, regional agency, public district, school district, or other political entity.

(i) (1) “Renewable energy” means a device or technology that conserves or produces heat, processes heat, space heating, water heating, steam, space cooling, refrigeration, mechanical energy, electricity, or energy in any form convertible to these uses, that does not expend or use conventional energy fuels, and that uses any of the following electrical generation technologies:

- (A) Biomass.
- (B) Solar thermal.
- (C) Photovoltaic.
- (D) Wind.
- (E) Geothermal.

(2) For purposes of this subdivision, “conventional energy fuel” means any fuel derived from petroleum deposits, including, but not limited to, oil, heating oil, gasoline, fuel oil, or natural gas, including liquefied natural gas, or nuclear fissionable materials.

(3) Notwithstanding paragraph (1), for purposes of this section, “renewable energy” also means ultralow-emission equipment for energy generation based on thermal energy systems such as natural gas turbines and fuel cells.

(j) “Revenue” means all rents, receipts, purchase payments, loan repayments, and all other income or receipts derived by the authority from a project, or the sale, lease, or other disposition of alternative source or advanced transportation technology facilities, or the making of loans to finance alternative source or advanced transportation technology facilities, and any income or revenue derived from the investment of money in any fund or account of the authority.

SEC. 2. The heading of Division 16.2 (commencing with Section 26100) of the Public Resources Code is amended to read:

**DIVISION 16.2. PROPERTY ASSESSED CLEAN ENERGY (PACE)
AND CLEAN ENERGY FINANCING ASSISTANCE**

SEC. 3. Section 26100.5 is added to the Public Resources Code, to read:

26100.5. The Legislature further finds and declares both of the following:

(a) Actions by federally chartered home loan entities have frustrated efforts to accelerate the implementation of the PACE financing program, creating a need to establish effective alternative approaches that can be rapidly deployed to advance the purposes of this division.

(b) Among the most promising alternatives that can be implemented rapidly are those intended to increase access to capital for projects that advance the purposes of this division.

SEC. 4. Section 26102 of the Public Resources Code is amended to read:

26102. “Applicant” means, for the purposes of Chapter 2 (commencing with Section 26120), a public agency as defined in paragraph (3) of subdivision (c) of Section 5898.20 of the Streets and Highways Code and,

for the purposes of Chapter 2.5 (commencing with Section 26130), a financial institution providing a loan pursuant to that chapter to finance the installation of distributed generation renewable energy sources, electric vehicle charging infrastructure, or energy or water efficiency improvements.

SEC. 5. Section 26103.5 is added to the Public Resources Code, to read:

26103.5. “Clean Energy Upgrade Program” means a statewide energy and water efficiency and renewable energy generation building retrofit financing program developed by the State Energy Resources Conservation and Development Commission and the authority pursuant to Section 26130.

SEC. 6. Chapter 2.5 (commencing with Section 26130) is added to Division 16.2 of the Public Resources Code, to read:

CHAPTER 2.5. CLEAN ENERGY UPGRADE PROGRAM

26130. The authority shall administer a Clean Energy Upgrade Program to reduce overall costs to the property owners of a loan provided by an applicant to finance the installation of distributed generation renewable energy sources, electric vehicle charging infrastructure, or energy or water efficiency improvements on real property by providing a reserve or other financial assistance at a level to be determined by the State Energy Resources Conservation and Development Commission and the authority. Improvements financed pursuant to this program shall be for a residential project of three units or fewer or a commercial project that costs less than twenty-five thousand dollars (\$25,000) in total.

26131. (a) The authority shall adopt regulations governing the implementation of this chapter, including quality assurance pursuant to subdivision (b) of Section 26132, at a publicly noticed meeting. Notwithstanding any other law, regulations adopted pursuant to this section may be adopted as emergency regulations pursuant to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(b) For the purposes of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, including Section 11349.6 of that code, the Office of Administrative Law shall consider the adoption of the regulations pursuant to subdivision (a) to be necessary for the immediate preservation of the public peace, health and safety, and general welfare.

26132. (a) An applicant shall submit to the authority an application providing a detailed description of the loan program to finance the installation of distributed generation renewable energy sources, electric vehicle charging infrastructure, or energy or water efficiency improvements on real property, a detailed description of the transactional activities associated with the loan issuance, including all transactional costs, and other information deemed necessary by the authority.

(b) The authority shall ensure that all improvements financed by the program meet quality assurance standards developed by the authority in

consultation with the State Energy Resources Conservation and Development Commission. The standards shall include contractor certification and third-party inspection of an appropriate portion of completed projects to ensure project performance and consumer protection.

26133. (a) In evaluating eligibility, the authority shall consider whether the applicant's loan program includes the following conditions:

- (1) Loan recipients are legal owners of underlying property.
- (2) Loan recipients are current on mortgage and property tax payments.
- (3) Loan recipients are not in default or in bankruptcy proceedings.
- (4) Loans are for less than 10 percent of the value of the property.
- (5) The program offers financing for energy and water efficiency improvements.

(6) Improvements financed by the program follow applicable standards of energy efficiency retrofit work, including any guidelines adopted by the State Energy Resources Conservation and Development Commission.

(b) In evaluating an application, the authority shall consider all of the following factors:

(1) The use by the loan program of best practices, adopted by the authority, to qualify eligible properties for participation in underwriting the loan program.

(2) The cost efficiency of the applicant's loan program.

(3) The projected number of jobs created by the loan program.

(4) The applicant's loan program requirements for quality assurance and consumer protection, as related to achieving efficiency and clean energy production, in accordance with the standards developed pursuant to subdivision (b) of Section 26132.

(5) The mechanisms by which savings produced by this program are passed on to the property owners.

(6) Any other factors deemed appropriate by the authority.

(c) The authority may approve a loan program that offers financing for electric vehicle charging infrastructure if the electric vehicle charging infrastructure is part of a project to install energy efficiency improvements and distributed generation renewable energy resources and is designed so that the project does not increase peak energy demand.

26134. (a) The authority shall require certification from a loan applicant that each loan offered pursuant to the applicant's loan program is consistent with the requirements of the Clean Energy Upgrade Program administered pursuant to this chapter.

(b) If the conditions of subdivision (a) are satisfied, the authority shall allocate to the applicant, at the closing of the loan, the amount made available from the Renewable Resource Trust Fund in the form of financial assistance as approved by the State Energy Resources Conservation and Development Commission and the authority. Prior to providing financial assistance pursuant to this section, the authority shall enter into an agreement with the applicant regarding the financial assistance, including the process for the possible return of moneys disbursed to or on behalf of the applicant.

SEC. 7. Section 26140 of the Public Resources Code is amended to read:

26140. (a) Until January 1, 2015, an amount of up to fifty million dollars (\$50,000,000) from the Renewable Resource Trust Fund, established pursuant to Section 25751, is hereby appropriated to the authority for the purposes of this division. The moneys appropriated shall remain in the Renewable Resource Trust Fund until the funds are needed by the authority pursuant to this division.

(b) Of the moneys appropriated in subdivision (a), up to five hundred fifty thousand dollars (\$550,000) may be expended by the authority for the initial administrative costs in implementing this division.

(c) All repayments of moneys disbursed pursuant to this division shall be deposited into the Renewable Resource Trust Fund.

SEC. 8. Section 26141 of the Public Resources Code is amended to read:

26141. (a) On March 31, 2011, and annually thereafter, the authority shall submit to the Legislature a report pursuant to Section 9795 of the Government Code on all of the following:

(1) The status of the account.

(2) A summary of the PACE bonds that received assistance pursuant to Chapter 2 (commencing with Section 26120) and a summary of the loans that received assistance pursuant to Chapter 2.5 (commencing with Section 26130).

(3) A summary of the benefits provided by this division, including reduced interest rates on the PACE bonds or on loans receiving assistance pursuant to this division.

(4) The number of jobs created by the PACE programs or loans that received assistance pursuant to this division.

(5) Information on energy and water savings resulting from the PACE programs or loans that received assistance pursuant to this division.

(6) Other information deemed appropriate by the authority.

(b) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 9. This act addresses the fiscal emergency declared and reaffirmed by the Governor by proclamation on January 20, 2011, pursuant to subdivision (f) of Section 10 of Article IV of the California Constitution.